

***VILLAGE OF NAVARRE***

**STARK COUNTY, OHIO**

**AUDIT REPORT**

**For the Years Ended December 31, 2016 and 2015**







# Dave Yost • Auditor of State

Village Council  
Village of Navarre  
27 W. Canal St  
Navarre, OH 44662

We have reviewed the *Independent Auditor's Report* of the Village of Navarre, Stark County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Navarre is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 11, 2017

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**VILLAGE OF NAVARRE**  
**STARK COUNTY, OHIO**  
**Audit Report**  
**For the Years Ended December 31, 2016 and 2015**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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**INDEPENDENT AUDITOR'S REPORT**

Village of Navarre  
Stark County  
27 West Canal Street  
Navarre, OH 44662

To the Village Council:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Navarre, Stark County, (the Village) as of and for the years ended December 31, 2016 and 2015.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

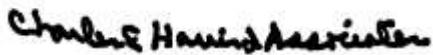
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, or changes in financial position or its cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Navarre, Stark County as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2017, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***

June 9, 2017



**VILLAGE OF NAVARRE  
STARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>Governmental Fund Types</b>			<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 68,678	-	-	\$ 68,678
Municipal Income Tax	988,845	-	-	988,845
Intergovernmental	49,560	\$ 103,423	-	152,983
Charges for Services	206	43,008	-	43,214
Fines, Licenses and Permits	1,980	-	-	1,980
Earnings on Investments	3,772	284	-	4,056
Miscellaneous	28,088	2,773	-	30,861
<i>Total Cash Receipts</i>	<u>1,141,129</u>	<u>149,488</u>	<u>-</u>	<u>1,290,617</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	436,127	2,860	-	438,987
Public Health Services	7,110	46,234	-	53,344
Leisure Time Activities	20,433	-	-	20,433
Community Environment	4,367	-	-	4,367
Basic Utility Services	1,017	-	-	1,017
Transportation	-	310,018	-	310,018
General Government	178,224	-	-	178,224
Capital Outlay	-	91,457	\$ 682,391	773,848
<i>Total Cash Disbursements</i>	<u>647,278</u>	<u>450,569</u>	<u>682,391</u>	<u>1,780,238</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	493,851	(301,081)	(682,391)	(489,621)
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	-	225,000	225,000	450,000
Transfers Out	(450,000)	-	-	(450,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(450,000)</u>	<u>225,000</u>	<u>225,000</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	43,851	(76,081)	(457,391)	(489,621)
<i>Fund Cash Balances, January 1</i>	<u>104,845</u>	<u>444,525</u>	<u>1,117,395</u>	<u>1,666,765</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	368,444	-	368,444
Committed	-	-	660,004	660,004
Assigned	235	-	-	235
Unassigned	148,461	-	-	148,461
<i>Fund Cash Balances, December 31</i>	<u>\$ 148,696</u>	<u>\$ 368,444</u>	<u>\$ 660,004</u>	<u>\$ 1,177,144</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF NAVARRE  
STARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Proprietary Fund Types Enterprise</u>	<u>Fiduciary Fund Types Agency</u>	<u>Totals (Memorandum Only)</u>
<b>Operating Cash Receipts</b>			
Charges for Services	\$ 947,257	-	\$ 947,257
<i>Total Operating Cash Receipts</i>	<u>947,257</u>	<u>-</u>	<u>947,257</u>
<b>Operating Cash Disbursements</b>			
Personal Services	532,854	-	532,854
Contractual Services	160,984	-	160,984
Supplies and Materials	123,875	-	123,875
<i>Total Operating Cash Disbursements</i>	<u>817,713</u>	<u>-</u>	<u>817,713</u>
<i>Operating Income (Loss)</i>	129,544	-	129,544
<b>Non-Operating Receipts (Disbursements)</b>			
Earnings on Investments	-	\$ 4,055	4,055
Other Debt Proceeds	16,412	-	16,412
Miscellaneous	1,686	-	1,686
Capital Outlay	(760,113)	-	(760,113)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(742,015)</u>	<u>4,055</u>	<u>(737,960)</u>
<i>Income (Loss) before Transfers</i>	(612,471)	4,055	(608,416)
Transfers In	37,341	-	37,341
Transfers Out	(37,341)	-	(37,341)
<i>Net Change in Fund Cash Balances</i>	(612,471)	4,055	(608,416)
<i>Fund Cash Balances, January 1</i>	<u>1,864,349</u>	<u>565,428</u>	<u>2,429,777</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,251,878</u>	<u>\$ 569,483</u>	<u>\$ 1,821,361</u>

*The notes to the financial statements are an integral part of this statement.*

**VILLAGE OF NAVARRE  
STARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Governmental Fund Types</b>			<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 70,540	-	-	\$ 70,540
Municipal Income Tax	940,150	-	-	940,150
Intergovernmental	48,252	\$ 110,716	-	158,968
Charges for Services	35,170	60,662	-	95,832
Fines, Licenses and Permits	1,543	-	-	1,543
Earnings on Investments	2,055	218	-	2,273
Miscellaneous	25,585	2,971	-	28,556
<i>Total Cash Receipts</i>	<u>1,123,295</u>	<u>174,567</u>	<u>-</u>	<u>1,297,862</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	460,311	3,096	-	463,407
Public Health Services	7,682	46,467	-	54,149
Leisure Time Activities	17,016	-	-	17,016
Community Environment	4,461	-	-	4,461
Basic Utility Services	1,689	-	-	1,689
Transportation	-	302,741	-	302,741
General Government	181,442	-	-	181,442
Capital Outlay	-	31,513	\$ 241,669	273,182
<i>Total Cash Disbursements</i>	<u>672,601</u>	<u>383,817</u>	<u>241,669</u>	<u>1,298,087</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	450,694	(209,250)	(241,669)	(225)
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Capital Assets	5,777	2,568	-	8,345
Transfers In	-	240,000	240,000	480,000
Transfers Out	(480,000)	-	-	(480,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(474,223)</u>	<u>242,568</u>	<u>240,000</u>	<u>8,345</u>
<i>Net Change in Fund Cash Balances</i>	(23,529)	33,318	(1,669)	8,120
<i>Fund Cash Balances, January 1</i>	<u>128,374</u>	<u>411,207</u>	<u>1,119,064</u>	<u>1,658,645</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	444,525	-	444,525
Committed	-	-	1,117,395	1,117,395
Assigned	913	-	-	913
Unassigned	103,932	-	-	103,932
<i>Fund Cash Balances, December 31</i>	<u>\$ 104,845</u>	<u>\$ 444,525</u>	<u>\$ 1,117,395</u>	<u>\$ 1,666,765</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF NAVARRE  
STARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Proprietary Fund Types Enterprise</u>	<u>Fiduciary Fund Types Agency</u>	<u>Totals (Memorandum Only)</u>
<b>Operating Cash Receipts</b>			
Charges for Services	\$ 921,757	-	\$ 921,757
<i>Total Operating Cash Receipts</i>	<u>921,757</u>	<u>-</u>	<u>921,757</u>
<b>Operating Cash Disbursements</b>			
Personal Services	506,887	-	506,887
Contractual Services	132,980	-	132,980
Supplies and Materials	172,579	-	172,579
<i>Total Operating Cash Disbursements</i>	<u>812,446</u>	<u>-</u>	<u>812,446</u>
<i>Operating Income (Loss)</i>	109,311	-	109,311
<b>Non-Operating Receipts (Disbursements)</b>			
Earnings on Investments	-	\$ 2,209	2,209
Sale of Fixed Assets	23,751	-	23,751
Capital Outlay	(249,512)	(3,106)	(252,618)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(225,761)</u>	<u>(897)</u>	<u>(226,658)</u>
<i>Income (Loss) before Transfers</i>	(116,450)	(897)	(117,347)
Transfers In	21,000	-	21,000
Transfers Out	(21,000)	-	(21,000)
<i>Net Change in Fund Cash Balances</i>	(116,450)	(897)	(117,347)
<i>Fund Cash Balances, January 1</i>	<u>1,980,799</u>	<u>566,325</u>	<u>2,547,124</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,864,349</u>	<u>\$ 565,428</u>	<u>\$ 2,429,777</u>

*The notes to the financial statements are an integral part of this statement.*

**Village of Navarre**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016 and 2015*

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**Note 1 – Reporting Entity**

The Village of Navarre, Stark County, (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services, water and sewer utilities, EMT and fire services.

***Joint Venture***

The Village participates in the Perry-Navarre Joint Economic Development District (JEDD), a jointly venture. Note 11 to the financial statements provides additional information for this entity.

***Jointly Governed Organizations***

The Village participates in the Stark Council of Governments and the Stark County Regional Planning Commission, jointly governed organizations. Note 12 to the financial statements provides additional information for these entities.

The Village’s management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

***Street Maintenance Fund*** The street maintenance fund accounts for and reports the receipt of gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

**Village of Navarre**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016 and 2015*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

**Capital Project Funds** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

**Capital Projects Fund** The Capital Projects fund accounts for and reports the receipt of General Fund transfers to accumulate funds for future capital improvements and to purchase equipment for the Village's use.

**Enterprise Funds** These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

**Water Fund** The water fund accounts for and reports the receipt of the provision of water to the residents and commercial users located within the Village.

**Sewer Fund** The sewer fund accounts for and reports the receipt of the provision of sanitary sewer services to the residents and commercial users within the Village.

**Sewer Replacement Fund** The sewer replacement fund accounts for and reports the receipt of the provision of the repair and maintenance of the Village's sewer systems.

**Fiduciary Funds** Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund is the JEDD fund, which receives a portion of income tax revenue that is used to facilitate economic development and to create and preserve jobs. For more information refer to Note 11.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**Village of Navarre**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016 and 2015*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

***Appropriations*** Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

***Estimated Resources*** Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

***Encumbrances*** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2016 and 2015 budgetary activity appears in Note 3.

***Deposits and Investments***

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

***Capital Assets***

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Nonspendable*** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**Village of Navarre**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016 and 2015*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

***Fund Balance (continued)***

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute. Council may also assign fund balances as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget in the General Fund.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 – Budgetary Activity**

Budgetary activity for the years ending December 31, 2016 and 2015 follows:

Fund Type	2016 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,040,913	\$ 1,141,129	\$ 100,216
Special Revenue	366,643	374,488	7,845
Capital Projects	323,034	225,000	(98,034)
Enterprise	977,238	1,002,696	25,458



**Village of Navarre**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016 and 2015*

**Note 3 – Budgetary Activity (continued)**

2016 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 1,144,846	\$ 1,097,513	\$47,333
Special Revenue	807,774	451,844	355,930
Capital Projects	1,342,395	684,507	657,888
Enterprise	2,834,114	1,621,889	1,212,225

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,074,098	\$ 1,129,073	\$ 54,975
Special Revenue	372,550	417,135	44,585
Capital Projects	230,000	240,000	10,000
Enterprise	946,500	966,508	20,008

2015 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 1,197,863	\$ 1,153,514	\$44,349
Special Revenue	783,757	387,210	396,547
Capital Projects	1,349,064	339,703	1,009,361
Enterprise	2,922,699	1,090,431	1,832,268

**Note 4 – Deposits and Investments**

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits and investments at December 31 was as follows:

	2016	2015
Demand deposits	\$ 2,998,505	\$ 4,096,542

***Deposits***

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Village of Navarre**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016 and 2015*

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**Note 5 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

***Income Taxes***

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**Note 6 – Risk Management**

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

***Commercial Insurance***

The Village has obtained commercial insurance for the following risks:

- Boilers
- Comprehensive property and general liability
- Vehicles
- Commercial inland marine
- General Liability
- Public Officials Liability
- Employer's Liability
- Employee Benefits Liability
- Cemetery liability

**Village of Navarre**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016 and 2015*

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**Note 6 – Risk Management (continued)**

Settled claims have not exceeded insurance coverage in any of the past three years. Coverage limits have not changed significantly since last year.

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Most of the Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

***Ohio Police and Fire Retirement System***

Other Village's full-time police officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. From July 1, 2014 to June 30, 2015, OP&F members contributed 11.5% of their gross salaries and the Village contributed an amount equaling 19.5%, of participants' gross salaries. From July 1, 2015 to December 31, 2016, members contributed 12.25% of their gross salaries and the Village contributed an amount equaling 19.5%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**Note 8 - Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

**Note 9 – Debt**

In 2016, the Village authorized the issuance of \$2,981,000 of revenue bonds payable in 40 years for the purpose of paying part of the cost of certain water system improvements, with Series A in the principal amount of \$2,150,000 and Series B in the principal amount of \$831,000, both at 1.63%. Only \$16,412 of this loan was incurred in 2016.

**Village of Navarre**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016 and 2015*

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**Note 10 – Contingent Liabilities**

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village's financial condition.

**Note 11 – Joint Venture**

The Village participates in, and is the fiscal agent for, the Perry-Navarre Joint Economic Development District (JEDD), which is a statutorily created political subdivision of the State and which was established on November 6, 1996. The JEDD is a joint venture between the Village and Perry Township, created to facilitate economic development and to preserve jobs and employment opportunities. A five member Board of Directors has been established to govern the JEDD, including two representatives appointed by the Village. The JEDD is not accumulating significant financial resources or experiencing fiscal stress which would cause additional benefit to or burden on the Village. Complete financial statements can be obtained from the Village of Navarre Clerk/Treasurer, 27 Canal Street West, Navarre, Ohio 44662.

**Note 12 – Jointly Governed Organizations**

***Stark Council of Governments (Council)***

The Village participates in the Council which is statutorily created political subdivision of the State. The Council is jointly governed among Stark County municipalities and townships. Each member's control over the operation of the Council is limited to its representation on the Board which consists of 27 members. The Board exercises total control the operation of the Council including appropriating, contracting, and designating management.

***Stark County Regional Planning Commission (Commission)***

The Village participates in the Commission, which is a statutorily created subdivision of the State. The Commission is jointly governed among Stark County municipalities and townships. Each member's control over the operation of the Commission is limited to its representation on the Board, which consists of 48 members. The Board exercises total control over the operation of the Commission including appropriating, contracting, and designating management.

**Note 13 – Interfund Transfers**

In 2016 and 2015, the Village transferred income tax receipts in the General Fund to the Street Maintenance and Capital Projects funds in accordance with the tax allocation ordinance. In 2016 and 2015, the Village transferred monies from the Water and Sewer funds to the Sewer Capital Improvement and Sewer Replacement and Improvement Fund to subsidize sewer improvements. These transfers met all applicable requirements of the Ohio Revised Code.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

Village of Navarre  
Stark County  
27 West Canal Street  
Navarre, OH 44662

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Navarre, Stark County (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated June 9, 2017 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

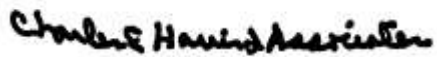
We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 9, 2017.

***Entity's Response to Finding***

The Village's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not audit the Village's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



***Charles E. Harris and Associates, Inc.***  
June 9, 2017

**VILLAGE OF NAVARRE  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
December 31, 2016 and 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number: 2016-001 – Material Weakness**

**Fund balance classification and recording of transactions:**

The Governmental Accounting Standards Board (GASB) Statement No. 54 definition of five fund balance classifications is stated in Note 2 of the report. However the Village did not properly classify the following fund balances in accordance with GASB 54:

- The balance of Special Revenue Funds: Street Construction and Maintenance, Cemetery Endowment and Cemetery, whose funds came from property taxes, intergovernmental distributions, and endowments, were classified as unassigned in 2016 and 2015 rather than restricted.
- The General Fund had encumbrances outstanding at the end of 2016 and 2015. These were classified as unassigned versus assigned.
- The Capital Projects funds (building and land, street maintenance, and park) were classified as unassigned in 2016 and 2015 instead of committed.

The Treasurer also erroneously recorded numerous transactions during 2016 and 2015. The more significant adjustments are as follow:

- Recorded income tax receipts as property and other local taxes instead of municipal income taxes.
- Recorded grant receipts as miscellaneous receipts instead of intergovernmental revenues
- Recorded USDA loan proceeds as charges for services instead of proceeds of loan.
- Recorded income tax refunds as other financing uses instead of general governmental disbursements.
- Recorded USDA payments for contractors' work as contractual services instead of capital outlay
- Recorded sale of capital assets as charges for services instead of sale of capital assets.

Failure to report transactions and fund balances correctly results in the financial statements not being accurately presented. We recommend that the Treasurer follow GASB 54 fund balance classifications. We further recommend that the Treasurer refer to the Village Officer's Handbook, Governmental Systems computer manuals and Auditor of State guidance to properly classify its transactions. We also recommend the Treasurer review all reports compiled by Governmental Systems to ensure their accuracy.

**Management Response:**

See Corrective Action Plan

VILLAGE OF NAVARRE  
STARK COUNTY

**CORRECTIVE ACTION PLAN**  
For the Years Ended December 31, 2016 and 2015

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2016-001	Will move income tax transactions to General Government. Moved cemetery and cemetery endowment transactions to Special Revenue funds. Will review all transactions to ensure proper posting.	Immediately	Anne Johnson, Clerk/Treasurer





# Dave Yost • Auditor of State

CITY OF NAVARRE

STARK COUNTY

## CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JULY 25, 2017